

104TH CONGRESS
1ST SESSION

H. R. 1708

To establish the Federal Mortgage Insurance Corporation as a wholly owned Government corporation to provide full mortgage insurance and provide for the development of credit enhancement products for mortgages for single family homes of low- and moderate-income homebuyers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 24, 1995

Mr. WELLER (for himself, Mr. METCALF, Mr. BARR, Mr. FOX of Pennsylvania, Mr. STOCKMAN, Mr. EHRLICH, Mr. CHRYSLER, Mr. NEY, Mr. HEINEMAN, Mr. BONO, Mr. HAYWORTH, Mr. LOBIONDO, Mrs. KELLY, Mr. TATE, Mr. DAVIS, Mr. GRAHAM, Mr. FOLEY, Mr. FORBES, Mr. SALMON, Mr. ENGLISH of Pennsylvania, Mr. FRISA, Mr. BURR, Mr. WAMP, and Mr. BRYANT of Tennessee) introduced the following bill; which was referred to the Committee on Banking and Financial Services

A BILL

To establish the Federal Mortgage Insurance Corporation as a wholly owned Government corporation to provide full mortgage insurance and provide for the development of credit enhancement products for mortgages for single family homes of low- and moderate-income homebuyers, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Federal Mortgage In-
3 surance Corporation Charter Act”.

4 **SEC. 2. TABLE OF CONTENTS.**

5 The table of contents for this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.
- Sec. 3. Definitions.

TITLE I—ORGANIZATION OF CORPORATION

- Sec. 101. Establishment.
- Sec. 102. Purposes.
- Sec. 103. General powers.
- Sec. 104. Board of Directors.
- Sec. 105. Officers and employees.
- Sec. 106. Procurement.
- Sec. 107. Financial safety and soundness.
- Sec. 108. Federal credit reform procedures.
- Sec. 109. Additional oversight and reporting requirements.
- Sec. 110. Transition.
- Sec. 111. Applicability of laws.
- Sec. 112. GAO evaluation.
- Sec. 113. Rule of construction.
- Sec. 114. Authorization of appropriations.

TITLE II—BUSINESS OF CORPORATION

- Sec. 201. Single family housing requirement.
- Sec. 202. Transfer of FHA single family housing business.
- Sec. 203. New lines of business.
- Sec. 204. Limitations on business activity.

TITLE III—PROVISIONS RELATING TO GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION AND OFFICE OF FEDERAL HOUSING
ENTERPRISE OVERSIGHT

- Sec. 301. GNMA authority.
- Sec. 302. Safety and soundness oversight of Corporation by OFHEO.

TITLE IV—FHA IMPROVEMENTS

- Sec. 401. Calculation of downpayment.
- Sec. 402. Delegation of single family mortgage insuring authority to direct en-
dorsement mortgagees.

6 **SEC. 3. DEFINITIONS.**

7 For purposes of this Act, the following definitions
8 shall apply:

1 (1) CORPORATION.—The term “Corporation”
2 means the Federal Mortgage Insurance Corporation
3 established under this Act.

4 (2) NATIVE AMERICAN GOVERNMENT.—The
5 term “Native American government” means the gov-
6 ernment of any Indian or Alaska native tribe, band,
7 nation, pueblo, village or community that the Sec-
8 retary of the Interior acknowledges to exist as an In-
9 dian tribe, pursuant to the Federally Recognized In-
10 dian Tribe List Act of 1994.

11 (3) SINGLE FAMILY HOUSING.—The term “sin-
12 gle family housing” means a property on which there
13 is located a 1- to 4-family residence.

14 (4) UNITED STATES.—The term “United
15 States” includes the States, the District of Colum-
16 bia, the Commonwealth of Puerto Rico, the Com-
17 monwealth of the Northern Mariana Islands, Guam,
18 the Virgin Islands, American Samoa, and Native
19 American governments.

20 **TITLE I—ORGANIZATION OF**
21 **CORPORATION**

22 **SEC. 101. ESTABLISHMENT.**

23 (a) IN GENERAL.—There is hereby established a
24 body corporate to be known as the Federal Mortgage In-

1 surance Corporation, which shall have succession until dis-
2 solved by Act of Congress.

3 (b) GOVERNMENT CORPORATION.—The Corporation
4 shall be established as a wholly owned Government cor-
5 poration subject to chapter 91 of title 31, United States
6 Code (commonly referred to as the Government Corpora-
7 tion Control Act), except as otherwise provided in this Act.

8 (c) FEDERAL AGENCY.—

9 (1) IN GENERAL.—The Corporation shall be an
10 agency of the United States, except that the Cor-
11 poration shall not be considered an agency for pur-
12 poses of holding, managing, and disposing of assets
13 acquired by the Corporation under the provisions of
14 this subtitle or subtitle B.

15 (2) PROPERTY DISPOSITION AUTHORITY.—For
16 purposes of this subsection, the term “holding, man-
17 aging, and disposing of assets” includes the powers
18 to—

19 (A) deal with, complete, reconstruct, rent,
20 renovate, modernize, insure, make contracts for
21 the management of, establish suitable agencies
22 for the management of, or exercise discretion to
23 sell for cash or credit or lease, any acquired
24 property;

1 (B) pursue collection by way of com-
2 promise or otherwise all assigned and trans-
3 ferred claims; and

4 (C) at any time, upon default, foreclose on
5 any property secured by any assigned or trans-
6 ferred mortgage.

7 (d) SELF-SUPPORTING ENTITY.—The Corporation
8 shall operate and conduct its business as a self-supporting
9 entity.

10 (e) CORPORATE OFFICES AND RESIDENCY.—The
11 Corporation shall maintain its principal office in the Dis-
12 trict of Columbia and shall be deemed, for purposes of
13 venue in civil actions, to be a resident of the District of
14 Columbia. The Corporation may establish other officers in
15 such other places as the Corporation considers appropriate
16 in the conduct of its business.

17 (f) TAX STATUS.—The Corporation, including its
18 franchise, activities, income, and assets, shall be exempt
19 from all taxation now or hereafter imposed by any taxing
20 authority in the United States, except that any real prop-
21 erty of the Corporation (other than real property that the
22 Corporation uses as an office) shall be subject to taxation
23 to the same extent according to its value as any taxing
24 authority taxes other real property.

1 (g) PROTECTION OF NAME.—No person, except the
2 body corporate established under this section shall, after
3 the date of the enactment of this Act, use the words “Fed-
4 eral Mortgage Insurance Corporation” or the initials
5 “FMIC” as the name or part thereof under which such
6 person shall do business. Violations of the preceding sen-
7 tence may be enjoined by any court of general jurisdiction
8 at the suit of the Corporation. In any such suit, the Cor-
9 poration may recover any actual damages flowing from
10 such violation, and, in addition, shall be entitled to puni-
11 tive damages (regardless of the existence or nonexistence
12 of actual damages) of not more than \$100 for each day
13 during which such violation is committed or repeated.

14 **SEC. 102. PURPOSES.**

15 The Corporation is established for the following pur-
16 poses:

17 (1) To expand the opportunities in the United
18 States for single family homeownership through the
19 provision of full mortgage insurance and credit en-
20 hancement products and related activities.

21 (2) To address the unmet single family housing
22 credit needs of families and communities in the
23 United States.

1 (3) To engage in research, development, and
2 testing of new products designed to make housing
3 credit available to underserved markets.

4 (4) To deliver full mortgage insurance and
5 credit enhancement products, and provide other
6 services, for single family housing in a nondiscrim-
7 inatory manner, and to administer its business in a
8 manner which affirmatively furthers fair housing.

9 (5) To promote liquidity and provide stability to
10 the single family housing finance market, by con-
11 tinuing to provide full mortgage insurance and credit
12 enhancement products on a sound basis during times
13 of regional and national economic downturn.

14 (6) To expand access to decent and affordable
15 single family housing and to deliver housing credit
16 to families and communities in the United States.

17 **SEC. 103. GENERAL POWERS.**

18 To further the purposes of this Act, in accordance
19 with chapter 91 of title 31 of the United States Code (re-
20 lating to government corporations), the Corporation—

21 (1) may adopt, amend, and repeal bylaws, and
22 other written administrative guidance;

23 (2) may adopt, alter, and use a corporate seal,
24 which shall be judicially noted;

1 (3) may enhance and make commitments to en-
2 hance credit to the extent authorized under this Act,
3 including commitments to insure, reinsure, advance,
4 and incur liabilities, to the extent provided in title
5 II;

6 (4) may acquire, hold, use, improve, deal in, or
7 dispose of, by any means, any interests in any real
8 property or any personal property;

9 (5) may execute contracts, make grants, and
10 make other agreements in its own name, with any
11 agency, public or private entity, or person, and carry
12 out any lawful requirement of such contracts,
13 grants, or other agreements;

14 (6) may take any actions (including the restruc-
15 turing of debt) that Corporation determines are nec-
16 essary to manage the Corporation's portfolio of
17 property, assets, and obligations;

18 (7) may, to the extent authorized under this
19 Act—

20 (A) create and supply any product or serv-
21 ice consistent with its corporate purposes;

22 (B) collect, generate, and make available
23 any information relevant to the provision of sin-
24 gle family housing credit; and

1 (C) assess fees and charges for such prod-
2 ucts, information, and services in an amount, as
3 determined by the Corporation, that does not
4 exceed their value in the market and that per-
5 mits the Corporation to recover its fully allo-
6 cated long-term costs and maintain the level of
7 capital determined by the Corporation to be
8 necessary and sufficient to carry out the public
9 purposes of the Corporation;

10 (8) may insulate any product, line, or service
11 from any other, by creating distinct insurance funds
12 or other devices to segregate or permit limitations on
13 liability for business activities or accounts;

14 (9) may qualify any person or entity to engage
15 in business with the Corporation and enforce and
16 impose penalties for the breach of any duties, obliga-
17 tions, and other commitments made by such persons
18 or entities;

19 (10) shall take actions necessary to administer
20 its business in a manner which is nondiscriminatory
21 and which affirmatively furthers fair housing;

22 (11) may use the services or obtain the goods
23 of any Federal agency, including the Department of
24 Housing and Urban Development, under working or
25 cooperation agreements or contracts with such agen-

1 cies and make or receive payment for the cost of
2 such activities;

3 (12) shall have the power, in its corporate
4 name, to sue and be sued, and to complain and de-
5 fend, in any court of competent jurisdiction, State or
6 Federal, but no attachment, garnishment, injunc-
7 tion, or other similar process, mesne or final, shall
8 be issued against the property of the Corporation or
9 against the Corporation with respect to its property,
10 and the Corporation shall not be liable for interest
11 prior to judgment, for punitive or exemplary dam-
12 ages, for penalties, or for claims based upon unjust
13 enrichment, quasi-contract, or contracts implied-in-
14 law, nor shall the Corporation be subject to trial by
15 jury;

16 (13) notwithstanding any other provision of
17 law—

18 (A) shall be an agency of the Federal Gov-
19 ernment, and the officers and employees of the
20 Corporation shall be officers and employees of
21 the Federal Government, for purposes of part
22 IV of title 28, United States Code;

23 (B) shall have all civil actions to which the
24 Corporation is a party deemed to arise under
25 the laws of the United States; and

1 (C) may, at any time before trial and with-
2 out bond or security, remove any civil or crimi-
3 nal action or proceeding in a State court to
4 which the Corporation is a party to the United
5 States district court for the District of Colum-
6 bia or to the United States district court with
7 jurisdiction over the place where the civil action
8 or proceeding is pending, by following any pro-
9 cedure for removal of actions in effect at the
10 time of such removal;

11 (14) may—

12 (A) accept and use voluntary and uncom-
13 pensated services and accept, hold, administer,
14 and use gifts and bequests of property, both
15 real and personal, for the purpose of aiding or
16 facilitating the work of the Corporation; and

17 (B) hold gifts and bequests of money and
18 the proceeds from sales of other property re-
19 ceived as gifts or bequests in a separate ac-
20 count, and such amounts shall be disbursed as
21 determined by the Corporation:

22 except that property accepted pursuant to this para-
23 graph, and the proceeds thereof, shall be used as
24 nearly as possible in accordance with the terms of
25 the gift or bequest and, for the purpose of Federal

1 income, estate, and gift taxes, property accepted
2 under this paragraph shall be considered as a gift or
3 bequest to or for the use of the United States;

4 (15) shall have any transaction in which it par-
5 ticipates be exempt from the terms of any State or
6 other law or prohibition against payment of usurious
7 interest;

8 (16) may act as a fiduciary in connection with
9 any of its undertakings;

10 (17) may foreclose any single family housing
11 mortgages held by the Corporation pursuant to the
12 same procedures applicable to the Secretary under
13 the Single Family Mortgage Foreclosure Act of
14 1994;

15 (18) shall have the priority of the United States
16 with respect to the payment of debts out of bank-
17 rupt, insolvent, and decedents' estates;

18 (19) may invest in systems, technology, or other
19 capital resources, to enhance its ability to carry out
20 the purposes of this Act; and

21 (20) shall have and exercise all powers nec-
22 essary or appropriate to effect any purposes of this
23 Act, including the power to carry out any authority
24 transferred to the Corporation under this Act.

1 **SEC. 104. BOARD OF DIRECTORS.**

2 (a) IN GENERAL.—The powers of the Corporation
3 shall be vested in the Board of Directors of the Corpora-
4 tion.

5 (b) APPOINTMENT.—The Board of Directors shall
6 consist of 9 individuals appointed by the President by and
7 with the advise and consent of the Senate. The President
8 shall designate a chairperson of the Board from among
9 members of the Board.

10 (c) QUALIFICATIONS.—Members of the Board of Di-
11 rectors shall be citizens of the United States. The Board
12 of Directors shall at all times include as members not less
13 than—

14 (1) 1 individual from the mortgage finance in-
15 dustry;

16 (2) 1 individual from the home building indus-
17 try;

18 (3) 1 individual with knowledge and experience
19 regarding secondary mortgage market activities;

20 (4) 1 individual with knowledge and experience
21 regarding home sales;

22 (5) 1 individual with knowledge and experience
23 regarding single family housing asset management;

24 (6) 1 individual from a State or local housing
25 agency engaged in single family housing activities;

1 (7) 1 individual who represents consumer or
2 community interests in single family housing; and

3 (8) 1 individual who represents or resides in an
4 urban or rural neighborhood whose population con-
5 sists predominantly of members of minorities.

6 (d) TERMS.—

7 (1) IN GENERAL.—Each member of the Board
8 of Directors shall be appointed for a term of 6 years,
9 except as provided in paragraphs (2) and (3).

10 (2) TERMS OF INITIAL APPOINTEES.—As des-
11 ignated by the President at the time of appointment,
12 of the members first appointed—

13 (A) 3 shall be appointed for terms of 2
14 years; and

15 (B) 3 shall be appointed for terms of 4
16 years.

17 (3) VACANCIES.—Any member appointed to fill
18 a vacancy occurring before the expiration of the
19 term for which the member's predecessor was ap-
20 pointed shall be appointed only for the remainder of
21 that term. A member may serve after the expiration
22 of that member's term until a successor has taken
23 office. A vacancy in the Board shall be filled in the
24 manner in which the original appointment was
25 made.

1 (e) MEETINGS AND QUORUM.—The Board of Direc-
2 tors shall meet at any time pursuant to the call of the
3 Chairperson or a majority of its members and as provided
4 by the bylaws of the Corporation, but not less than quar-
5 terly. 5 members of the Board shall constitute a quorum.

6 (f) POWERS.—The Board of Directors shall be re-
7 sponsible for the general management of the Corporation
8 and shall have the same authority, privileges, and respon-
9 sibilities as the board of directors of a private corporation
10 incorporated under the District of Columbia Business Cor-
11 poration Act.

12 (g) COMPENSATION.—Members of the Board of Di-
13 rectors shall serve on a part-time basis and shall serve
14 without pay.

15 (h) TRAVEL EXPENSES.—Each member shall receive
16 travel expenses, including per diem in lieu of subsistence,
17 in accordance with sections 5702 and 5703 of title 5,
18 United States Code.

19 **SEC. 105. OFFICERS AND EMPLOYEES.**

20 (a) APPOINTMENT OF OFFICERS.—The Board of Di-
21 rectors of the Corporation shall appoint a president and
22 vice president of the Corporation, and such other officers
23 as are provided for in the bylaws of the Corporation.

24 (b) APPOINTMENT OF EMPLOYEES.—The Board of
25 Directors shall appoint such other employees of the Cor-

1 poration as the Board considers necessary for the trans-
2 action of its business.

3 (c) COMPENSATION, DUTIES, AND REMOVAL.—

4 (1) IN GENERAL.—The Board of Directors shall
5 fix the compensation of all officers and employees of
6 the Corporation, define their duties, and provide a
7 system of management and organization to fix re-
8 sponsibility and promote efficiency.

9 (2) CONSIDERATIONS IN FIXING COMPENSA-
10 TION.—No officer or employee of the Corporation
11 may receive pay in excess of the annual rate of basic
12 pay payable for level III of the Executive Schedule.

13 (d) PRINCIPLES GOVERNING PERSONNEL MANAGE-
14 MENT.—The Board shall ensure that the system of organi-
15 zation, compensation, and management for personnel is
16 consistent with the principles under section 2301(b) of
17 title 5, United States Code (regarding merit system prin-
18 ciples).

19 (e) APPLICABILITY OF CERTAIN CIVIL SERVICE
20 LAWS.—The officers and employees of the Corporation
21 shall be appointed without regard to the provisions of title
22 5, United States Code, governing appointments in the
23 competitive service, and may be paid without regard to
24 the provisions of chapter 51 and subchapter III of chapter

1 53 of that title relating to classification and General
2 Schedule pay rates.

3 (f) USE OF FEDERAL AGENCIES.—In carrying out its
4 purposes, the Corporation may use information, services,
5 staff, and facilities of any executive agency, independent
6 agency, or department (including the Department of
7 Housing and Urban Development), with the consent of the
8 agency or department, and shall reimburse the agency or
9 department for the cost of such information, services,
10 staff, and facilities.

11 (g) INDEMNIFICATION.—The Corporation may pro-
12 vide for the indemnification of any officer, employee, con-
13 tractor, or agent of the Corporation on such terms as the
14 Corporation determines proper, except that, to the extent
15 that the Corporation self-insures for any indemnifica-
16 tion—

17 (1) the aggregate maximum amount of all in-
18 demnifications outstanding at any time shall not ex-
19 ceed 5 percent of the required capital level deter-
20 mined under section 1386 of the Federal Housing
21 Enterprises Financial Safety and Soundness Act of
22 1992 by the Director of the Office of Federal Hous-
23 ing Enterprise Oversight; and

24 (2) no more than \$1,000,000 may be paid as
25 an indemnity for any single event.

1 **SEC. 106. PROCUREMENT.**

2 (a) IN GENERAL.—The Board shall establish an eco-
3 nomical and results-oriented system for procurement, sup-
4 ply, and disposition by the Corporation of personal prop-
5 erty and nonpersonal services, which shall include per-
6 formance measures and standards for determining the ex-
7 tent to which the Corporation's procurement of property
8 and services satisfies the objective for which the procure-
9 ment was undertaken. The system shall be consistent with
10 the principles of impartiality and competitiveness.

11 (b) CONSIDERATION OF FEDERAL PROCUREMENT
12 SYSTEM.—In establishing the system for procurement,
13 supply, and disposition under this subsection, the Board
14 shall take into consideration—

15 (1) the requirements under the Federal Prop-
16 erty and Administrative Services Act of 1949 and
17 the appropriateness or inappropriateness of adopting
18 identical or similar procedures for the Corporation;
19 and

20 (2) the experience of the Department of Hous-
21 ing and Urban Development in complying with such
22 Act in procurement, supply, and disposition activities
23 relating to the single family mortgage insurance pro-
24 gram under the National Housing Act.

25 (c) EXEMPTION FROM FEDERAL PROPERTY AND AD-
26 MINISTRATIVE SERVICE ACT PROVISIONS.—Section

1 602(d) of the Federal Property and Administrative Serv-
2 ices Act of 1949 (40 U.S.C. 474) is amended—

3 (1) in paragraph (20), by striking “and” at the
4 end;

5 (2) in paragraph (21), by striking the period at
6 the end and inserting “; and”; and

7 (3) by adding at the end the following new
8 paragraph:

9 “(22) The Federal Mortgage Insurance Cor-
10 poration.”.

11 (d) EXEMPTION FROM PROCUREMENT PROTEST
12 SYSTEM.—Subchapter V of chapter 35 of title 31, United
13 States Code, relating to the procurement protest system,
14 shall not apply to the Corporation.

15 **SEC. 107. FINANCIAL SAFETY AND SOUNDNESS.**

16 The Director of the Office of Federal Housing Enter-
17 prise Oversight shall oversee the financial safety and
18 soundness of the Corporation, pursuant to subtitle E of
19 the Federal Housing Enterprise Financial Safety and
20 Soundness Act of 1992.

21 **SEC. 108. FEDERAL CREDIT REFORM PROCEDURES.**

22 (a) SUBMISSION OF BUDGET AND BUSINESS PLAN
23 TO OFHEO.—In each year, the Corporation shall submit
24 its annual budget and business plan to the Director of the
25 Office of Federal Housing Enterprise Oversight by a date

1 sufficient to enable the Director to produce, pursuant to
2 section 1385(c) of the Federal Housing Enterprise Finan-
3 cial Safety and Soundness Act of 1992, the credit subsidy
4 cost estimates that are required for the President's budg-
5 et.

6 (b) SUBMISSION OF BUDGET AND CREDIT COST ES-
7 TIMATES TO OMB.—For purposes of inclusion in the
8 President's budget, the Corporation shall submit the an-
9 nual budget of the Corporation and the annual credit sub-
10 sidy cost estimates produced pursuant to section 1385(c)
11 of the Federal Housing Enterprise Financial Safety and
12 Soundness Act of 1992 to the Director of the Office of
13 Management and Budget.

14 (c) RESERVES.—

15 (1) ESTABLISHMENT.—The Corporation may
16 establish any reserve that the Corporation deter-
17 mines is necessary for the business operations of the
18 Corporation.

19 (2) AMOUNTS.—The Corporation may hold as a
20 reserve in any financing account, as defined in sec-
21 tion 502 of the Congressional Budget Act of 1974,
22 such amounts as the Corporation considers nec-
23 essary to comply with the capital requirements es-
24 tablished for the Corporation under subtitle E of the
25 Federal Housing Enterprise Financial Safety and

1 Soundness Act of 1992 and to fulfill the purposes of
2 this Act.

3 **SEC. 109. ADDITIONAL OVERSIGHT AND REPORTING**
4 **REQUIREMENTS.**

5 (a) INSPECTOR GENERAL.—For purposes of the In-
6 spector General Act of 1978 and chapter 91 of title 31,
7 United States Code, the Inspector General of the Depart-
8 ment of Housing and Urban Development shall perform
9 the functions of Inspector General for the Corporation.

10 (b) ANNUAL BUSINESS PLAN.—The Corporation
11 shall establish a business plan on an annual basis and
12 shall make such plan available for review by the Congress
13 and the President. Such plan shall specify the product and
14 operational strategy of the Corporation, including plans
15 to address compliance with the safety and soundness re-
16 quirements applicable to the Corporation.

17 **SEC. 110. TRANSITION.**

18 (a) TRANSITION DATE AND TRANSITION PERIOD.—
19 For purposes of this Act, the following definitions shall
20 apply:

21 (1) TRANSITION DATE.—The term “transition
22 date” means the latter of the following 2 dates:

23 (A) EARLIEST DATE.—January 1, 1997.

24 (B) REQUIRED ACTIONS.—The first date
25 by which all of the following have occurred:

1 (i) The Corporation has submitted an
2 initial annual budget and business plan to
3 the Congress and the President that have
4 been approved by the President.

5 (ii) The Director of the Office of Fed-
6 eral Housing Enterprise Oversight has cer-
7 tified to the Congress and the President
8 that the Director has developed an interim
9 model under section 1386(a)(2) of the
10 Federal Housing Enterprises Financial
11 Safety and Soundness Act of 1992 that is
12 sufficient for the Director's purposes.

13 (iii) The Director of the Office of
14 Management and Budget has certified to
15 the Congress and the President that the
16 application of such interim model is con-
17 sistent with the Federal Credit Reform Act
18 of 1990.

19 (iv) The Director of the Office of
20 Management and Budget determines that
21 the staff, systems, and administrative in-
22 frastructure of the Corporation are suffi-
23 cient to permit the Corporation to fully
24 conduct the operation of its business.

1 (2) TRANSITION PERIOD.—The term “transi-
2 tion period” means the period beginning upon the
3 organization of the Corporation under this Act and
4 ending upon the transition date.

5 (b) AUTHORITY DURING TRANSITION PERIOD.—
6 During the transition period—

7 (1) the Secretary of Housing and Urban Devel-
8 opment shall, in consultation with the Corporation
9 and the Director of the Office of Management and
10 Budget, transfer to the Corporation such powers and
11 responsibilities of the Secretary to carry out the sin-
12 gle family mortgage insurance programs under the
13 National Housing Act, at such times as are appro-
14 priate for the Corporation to assume such powers
15 and responsibilities;

16 (2) the Corporation may carry out any power or
17 responsibility that the Secretary of Housing and
18 Urban Development transfers to the Corporation
19 consistent with paragraph (1) and section 202, using
20 the staff, systems, and administrative infrastructure
21 that the Corporation engages or acquires during the
22 transition period, or the personnel and other re-
23 sources of the Secretary;

24 (3) the Corporation may incur any obligation
25 consistent with—

1 (A) the carrying out of a delegated power
2 or responsibility; or

3 (B) the acquisition, engagement, or devel-
4 opment of staff, systems (including technology
5 to enhance its ability to engage in the business
6 of the Corporation authorized by the Act), and
7 administrative structure; and

8 (4) the Corporation may engage in any other
9 activity or undertake any responsibility (not includ-
10 ing any authority under section 203) that the Board
11 of Directors determines to be consistent with the
12 start-up of the Corporation and the authority of the
13 Corporation under this Act.

14 **SEC. 111. APPLICABILITY OF LAWS.**

15 (a) GOVERNMENT CORPORATION CONTROL ACT.—
16 Section 9101(3) of title 31, United States Code, is amend-
17 ed by adding at the end the following new subparagraph:

18 “(P) the Federal Mortgage Insurance Cor-
19 poration.”

20 (b) TAX EXEMPT STATUS OF CORPORATION.—Sec-
21 tion 501(l) of the Internal Revenue Code of 1986 (26
22 U.S.C. 501(l)) is amended by adding at the end the follow-
23 ing new paragraph:

1 “(4) The Federal Mortgage Insurance Corpora-
2 tion established under the Federal Mortgage Insur-
3 ance Corporation Charter Act.”.

4 (c) NOTICE AND COMMENT RULEMAKING.—Any
5 matter relating to mortgage insurance, credit enhance-
6 ment, or other business activities of the Corporation au-
7 thorized under this Act shall be considered a matter relat-
8 ing to agency management or personnel or to public prop-
9 erty, loans, grants, benefits, or contracts, for purposes of
10 section 553(a) of title 5, United States Code.

11 (d) CONFORMING AMENDMENT RELATING TO USURY
12 EXEMPTION FOR VETERANS LOANS.—Section 3728 of
13 title 38, United States Code, is amended by inserting after
14 “National Housing Act” the following: “, or are credit-
15 enhanced under the Federal Mortgage Insurance Corpora-
16 tion Charter Act,”.

17 **SEC. 112. GAO EVALUATION.**

18 (a) IN GENERAL.—The Comptroller General of the
19 United States shall conduct a study and submit a report
20 to the President and the Congress on—

21 (1) whether this Act provides sufficient author-
22 ity to permit the Corporation to accomplish its pub-
23 lic purposes efficiently and effectively, and in a safe
24 and sound manner;

1 (2) the impact of the limitations on business ac-
2 tivities as to mortgage amounts and aggregate com-
3 mitments, and any other statutory limitations, on
4 the current and anticipated business activity of the
5 Corporation; and

6 (3) whether the safety and soundness and other
7 requirements under this Act and the Federal Hous-
8 ing Enterprises Financial Safety and Soundness Act
9 of 1992 appropriately provide that the Corporation
10 will be operated in a safe and sound manner and will
11 fulfill the public purposes of its establishment.

12 (b) TIMING.—The report required by this section
13 shall be submitted on the third January 1st occurring
14 after the conclusion of the transition period.

15 **SEC. 113. RULE OF CONSTRUCTION.**

16 Notwithstanding any other evidence of the intent of
17 Congress, it is hereby declared to be the intent of Congress
18 that the provisions of this Act shall be construed broadly
19 to achieve the purposes of the Act, and the provisions of
20 any other Act that must be construed with any provision
21 of this Act shall similarly be construed to achieve the pur-
22 poses of this Act to the extent reasonably possible.

23 **SEC. 114. AUTHORIZATION OF APPROPRIATIONS.**

24 (a) ANNUAL AVAILABILITY OF NEGATIVE SUB-
25 SIDY.—There is authorized to be appropriated, in each fis-

1 cal year, for conducting operations of the Corporation, an
2 amount not exceeding the amount of any net income from
3 the operations of the Corporation. Such sums shall remain
4 available until expended.

5 (b) FUNDING OF CLAIMS.— Amounts credited to the
6 financing account of the Corporation, established pursu-
7 ant to title V of the Congressional Budget Act of 1974,
8 shall be permanently and indefinitely available for pay-
9 ment of any claim that the Corporation approves under
10 a contract of insurance or other credit enhancement in-
11 strument under this Act. To the extent that such amounts
12 are insufficient for such purpose, the Federal Mortgage
13 Insurance Corporation may borrow from the Treasury
14 pursuant to title V of the Congressional Budget Act of
15 1974.

16 **TITLE II—BUSINESS OF** 17 **CORPORATION**

18 **SEC. 201. SINGLE FAMILY HOUSING REQUIREMENT.**

19 The Corporation may provide mortgage insurance or
20 credit enhancement only with respect to credit extended
21 for property that—

- 22 (1) is a 1- to 4-family residence; and
23 (2) is located in the United States.

1 **SEC. 202. TRANSFER OF FHA SINGLE FAMILY HOUSING**
2 **BUSINESS.**

3 (a) IN GENERAL.—After the transition date under
4 section 110—

5 (1) the Corporation shall carry out a program
6 to insure mortgages on 1- to 4-family dwellings,
7 which shall be subject to the same limitations under
8 the National Housing Act (as amended by title IV
9 of this Act) that are applicable to the mortgage in-
10 surance program for 1- to 4-family dwellings carried
11 out by the Secretary of Housing and Urban Devel-
12 opment;

13 (2) the Corporation may exercise any authority
14 and undertake any responsibility of the Secretary of
15 Housing and Urban Development under the Na-
16 tional Housing Act relating to providing mortgage
17 insurance described in paragraph (1) of this sub-
18 section, except that any authority that requires an
19 appropriation may be conducted only to the extent
20 that amounts are so appropriated; and

21 (3) the Corporation shall manage any assets
22 and obligations transferred under subsection (b)
23 subject to the same limitations applicable to the Sec-
24 retary of Housing and Urban Development under
25 the National Housing Act (as amended by title IV
26 of this Act).

1 (b) TRANSFER OF ASSETS AND OBLIGATIONS.—The
2 Secretary of Housing and Urban Development, in con-
3 sultation with the Secretary of the Treasury, shall, to the
4 extent approved in appropriation Acts, transfer to the Cor-
5 poration, on or before the transition date, all assets and
6 obligations of the Secretary of Housing and Urban Devel-
7 opment relating to the program for mortgage insurance
8 for 1- to 4-family dwellings, including all assets and obli-
9 gations of the Mutual Mortgage Insurance Fund under
10 section 202 of the National Housing Act and all assets
11 and obligations of the General Insurance Fund and Spe-
12 cial Risk Insurance Fund under sections 519 and 238(b),
13 respectively, of such Act relating to mortgage insurance
14 for such dwellings.

15 (c) CONTINUATION OF CONTRACTS.—This Act may
16 not be construed to affect the validity of any right, duty,
17 or obligation of the United States or other person arising
18 under or pursuant to any commitment or agreement law-
19 fully entered into under the National Housing Act before
20 the enactment of this Act. The provisions of this Act and
21 the National Housing Act shall continue to apply to any
22 such obligations to the same extent such provisions were
23 applicable before such enactment, except only that any ob-
24 ligation of the Secretary of Housing and Urban Develop-
25 ment transferred to the Corporation pursuant to sub-

1 section (b) shall be an obligation of the Corporation to
2 the same extent as if the Corporation had originally exe-
3 cuted such obligation.

4 (d) TERMINATION OF HUD MORTGAGE INSURANCE
5 AUTHORITY.—Notwithstanding any other provision of
6 law, after the transition date the Secretary of Housing and
7 Urban Development may not provide any insurance, or
8 make any commitment to insure, any mortgage for a 1-
9 to 4-family dwelling, pursuant to title II of the National
10 Housing Act.

11 **SEC. 203. NEW LINES OF BUSINESS.**

12 (a) AUTHORITY.—After the transition date, the Cor-
13 poration may, subject to the requirements of this section
14 and section 204—

15 (1) provide full mortgage insurance for mort-
16 gages involving 1- to 4-family dwellings that is not
17 subject to the limitations under the National Hous-
18 ing Act; and

19 (2) engage in any other method of enhancing
20 credit for mortgages involving 1- to 4-family dwell-
21 ings.

22 (b) FULL INSURANCE.—In insuring or providing
23 credit enhancement pursuant to this section for any mort-
24 gage, the Corporation—

1 (1) may provide such insurance or enhancement
2 only with respect to the full mortgage amount; and

3 (2) may not provide such insurance or enhance-
4 ment in any manner under which the Corporation
5 and any other agency, organization, or person agree
6 to each insure or enhance a portion of the mortgage
7 amount or to bear a particular portion of the loss
8 under such insurance or enhancement.

9 (c) APPROVAL.—The Corporation may not engage in
10 any activity under subsection (a) unless—

11 (1) such activity is within the authority pro-
12 vided under this Act for the Corporation and is spe-
13 cifically approved, as to the nature of the activity
14 and the scope of such activity, by a majority vote of
15 the Board of Directors; and

16 (2) the Director of the Office of Federal Hous-
17 ing Enterprise Oversight has specifically determined,
18 and notified the Board of Directors in writing, that
19 engaging in such activity will not cause the Corpora-
20 tion to violate the requirement under section 101(d)
21 and such activity is not likely to result in the Cor-
22 poration being classified as undercapitalized or sig-
23 nificantly undercapitalized, pursuant to section 1386
24 of the Federal Housing Enterprises Financial Safety
25 and Soundness Act of 1992.

1 **SEC. 204. LIMITATIONS ON BUSINESS ACTIVITY.**

2 The Corporation shall be subject to the following limi-
3 tations on business activity:

4 (1) MORTGAGE AMOUNT LIMITATION.—

5 (A) IN GENERAL.—To be eligible for mort-
6 gage insurance or other credit enhancement
7 under this Act, a mortgage shall involve a prin-
8 cipal obligation in an amount that does not ex-
9 ceed the lesser of—

10 (i) in the case of a 1-family residence,
11 95 percent of the median 1-family house
12 price in the area, as determined by the
13 Corporation; in the case of a 2-family resi-
14 dence, 107 percent of such median price;
15 in the case of a 3-family residence, 130
16 percent of such median price; or in the
17 case of a 4-family residence, 150 percent
18 of such median price; or

19 (ii) in the case of a residence for
20 fewer than five families, 75 percent of the
21 dollar amount limitation determined under
22 section 305(a)(2) of the Federal Home
23 Loan Mortgage Corporation Act for a resi-
24 dence of the applicable size.

25 (B) MINIMUM AREA LIMITATION.—Not-
26 withstanding subparagraph (A), the principal

1 obligation limitation in effect for any area
2 under this paragraph may not be less than the
3 greater of (i) the dollar amount limitation in ef-
4 fect under section 203(b)(2) of the National
5 Housing Act for the area on September 28,
6 1994, or (ii) 38 percent of the dollar amount
7 limitation determined under section 305(a)(2)
8 of the Federal Home Loan Mortgage Corpora-
9 tion Act for a residence of the applicable size.

10 (C) APPLICABILITY OF EXCEPTIONS.—Any
11 exceptions to the limit on principal obligations
12 set forth in section 203(b)(2)(A) of the Na-
13 tional Housing Act, as such section and such
14 exceptions exist as of the date of the enactment
15 of this Act, shall apply to the limitations set
16 forth in subparagraphs (A) and (B) of this
17 paragraph.

18 (2) AGGREGATE MORTGAGE AMOUNT OF NEW
19 BUSINESS.—The aggregate principal amount of
20 mortgages that, during any fiscal year, are insured
21 or provided other credit enhancement by the Cor-
22 poration pursuant to authority under section 203
23 may not exceed 15 percent of the aggregate prin-
24 cipal amount of all mortgages insured or provided

1 other credit enhancement by the Corporation during
2 such fiscal year.

3 (3) AGGREGATE NEW MORTGAGE COMMITMENT
4 LIMITATION.—The Corporation may not, during the
5 5-year period beginning upon the transition period,
6 enter into commitments to insure mortgages or pro-
7 vide other credit enhancement for mortgages with an
8 aggregate principal amount that exceeds
9 \$520,000,000,000.

10 **TITLE III—PROVISIONS RELAT-**
11 **ING TO GOVERNMENT NA-**
12 **TIONAL MORTGAGE ASSOCIA-**
13 **TION AND OFFICE OF FED-**
14 **ERAL HOUSING ENTERPRISE**
15 **OVERSIGHT**

16 **SEC. 301. GNMA AUTHORITY.**

17 Title III of the National Housing Act (12 U.S.C.
18 1716 et seq.) is amended—

19 (1) in section 301(5), by inserting after “feder-
20 ally owned mortgage portfolios” the following: “(in-
21 cluding any owned by the Federal Mortgage Insur-
22 ance Corporation)”;

23 (2) in the first sentence of section 306(g)(1)—
24 (A) by inserting “the Association, or by”
25 after “shall (i) be issued by”; and

1 (B) by striking “which are insured under
2 the National Housing Act” and all that follows
3 through the period and inserting “which are
4 guaranteed or insured under the National
5 Housing Act, the Federal Mortgage Insurance
6 Corporation Charter Act, title V of the Housing
7 Act of 1949, the Servicemen’s Readjustment
8 Act of 1944, or chapter 37 of title 38, United
9 States Code.”; and

10 (3) in section 306(g)(3)(A)(i), by inserting after
11 “National Housing Act” the following: “or the Fed-
12 eral Mortgage Insurance Corporation Charter Act”.

13 **SEC. 302. SAFETY AND SOUNDNESS OVERSIGHT OF COR-**
14 **PORATION BY OFHEO.**

15 (a) IN GENERAL.—Title XIII of the Housing and
16 Community Development Act of 1992 (Public Law 102–
17 550; 106 Stat. 4009) is amended—

18 (1) by redesignating subtitle E as subtitle F;
19 and

20 (2) by inserting after subtitle D the following
21 new subtitle:

1 **“SUBTITLE E—SUPERVISION**
2 **AND REGULATION OF FED-**
3 **ERAL MORTGAGE INSURANCE**
4 **CORPORATION**

5 **“SEC. 1384. AUTHORITY OF DIRECTOR.**

6 “(a) IN GENERAL.—The Director of the Office of
7 Federal Housing Enterprise Oversight shall supervise and
8 regulate the safety and soundness of the Federal Mortgage
9 Insurance Corporation (in this subtitle referred to as the
10 ‘Corporation’).

11 “(b) AUTHORITY EXCLUSIVE OF SECRETARY.—The
12 Director is authorized, without the review or approval of
13 the Secretary of Housing and Urban Development, to
14 make such determinations, take such actions, and perform
15 such functions as the Director determines necessary to
16 meet the responsibilities of the Director under this sub-
17 title.

18 “(c) REVIEW OF NEW BUSINESS OF CORPORA-
19 TION.—The Director shall review any proposed new busi-
20 ness activity of the Corporation authorized under section
21 203(c) of the Federal Mortgage Insurance Corporation
22 Charter Act by the Board of Directors of the Corporation
23 to determine whether such activity will cause the Corpora-
24 tion to violate the requirement under section 101(d) of
25 such Act or is likely to result in the Corporation being

1 classified as undercapitalized or significantly
2 undercapitalized, pursuant to section 1386 of this Act.
3 The Director shall submit written notice of the results of
4 any such determination to the Board of Directors.

5 **“SEC. 1385. EXAMINATIONS, REPORTS, AND COST ESTI-**
6 **MATES.**

7 “(a) EXAMINATIONS.—The Director shall conduct
8 such examinations of the Corporation as the Director de-
9 termines necessary to evaluate the safety and soundness
10 of the Corporation. Such examinations shall be subject to
11 and governed by subsections (c) through (f) of section
12 1317.

13 “(b) REPORTS.—The Director may require the Cor-
14 poration to submit, within a reasonable period of time, any
15 regular or special report, data, or other information when-
16 ever, in the judgment of the Director, such report, data,
17 or information is necessary to carry out the Director’s re-
18 sponsibilities under this subtitle and the Federal Mortgage
19 Insurance Corporation Charter Act.

20 “(c) CREDIT SUBSIDY COST ESTIMATES.—

21 “(1) IN GENERAL.—The Director shall produce
22 and submit to the Director of the Office of Manage-
23 ment and Budget the annual credit subsidy cost esti-
24 mates for the Corporation required for the Presi-
25 dent’s budget. Such estimates shall be consistent

1 with the estimates of performance generated by the
2 risk-based capital model or the interim model, as ap-
3 propriate, developed in accordance with section
4 1386(a), and with the President’s economic forecast.

5 “(2) UNIFIED ESTIMATES.—The annual credit
6 subsidy cost estimates produced under this sub-
7 section by the Director shall be reported on a unified
8 basis, which shall be based upon the Corporation’s
9 business as a whole.

10 “(d) ANNUAL REPORT ON SAFETY AND SOUND-
11 NESS.—The Director shall submit an annual report to
12 Congress and the Director of the Office of Management
13 and Budget on the Corporation’s financial safety and
14 soundness, as measured pursuant to this subtitle.

15 **“SEC. 1386. CAPITAL REQUIREMENTS.**

16 “(a) REQUIRED CAPITAL LEVEL.—

17 “(1) STRESS TEST.—

18 “(A) IN GENERAL.—The Director shall de-
19 velop a risk-based capital model to determine
20 the amount of capital that is sufficient for the
21 Corporation to maintain positive capital during
22 a stressful period. The model shall incorporate
23 the assumptions under subparagraphs (B) and
24 (C). The required capital level for the Corpora-

1 tion shall be equal to twice the amount of cap-
2 ital so determined.

3 “(B) CREDIT RISK.—For purposes of sub-
4 paragraph (A), the Director shall assume that,
5 during the stressful period referred to in sub-
6 paragraph (A), credit losses occur at a rate con-
7 sistent with a nationwide economic recession of
8 average severity based on nationwide economic
9 recessions since 1950.

10 “(C) OTHER RISKS.—For purposes of sub-
11 paragraph (A), the Director shall make as-
12 sumptions about such other aspects of the
13 stressful period as the Director determines are
14 appropriate and consistent.

15 “(2) INTERIM REQUIREMENTS.—Until the Di-
16 rector has established a risk-based capital test as de-
17 scribed in paragraph (1), the Director may establish
18 a required capital level for the Corporation based on
19 consideration of such factors as the Director consid-
20 ers appropriate.

21 “(3) CAPITAL CLASSIFICATION.—

22 “(A) ADEQUATELY CAPITALIZED.—The
23 Corporation shall be classified as adequately
24 capitalized if the capital of the Corporation
25 equals or exceeds the required capital level.

1 “(B) UNDERCAPITALIZED.—The Corpora-
2 tion shall be classified as undercapitalized if the
3 capital of the Corporation does not equal or ex-
4 ceed the required capital level, but does equal
5 or exceed 50 percent of the required capital
6 level.

7 “(C) SIGNIFICANTLY UNDERCAPITAL-
8 IZED.—The Corporation shall be classified as
9 significantly undercapitalized if the capital of
10 the Corporation does not equal or exceed 50
11 percent of the required capital level.

12 “(4) QUARTERLY DETERMINATION.—The Di-
13 rector shall determine the capital classification of
14 the Corporation not less frequently than once every
15 calendar quarter.

16 “(b) CAPITAL RESTORATION PLANS.—

17 “(1) REQUIREMENT.—If the Corporation is
18 classified as undercapitalized or significantly
19 undercapitalized, the Corporation shall submit to the
20 Director a capital restoration plan that complies
21 with this subsection and carry out the plan unless it
22 is disapproved. The plan shall be submitted to the
23 Director within 45 days from the date of notifica-
24 tion, or if the Director determines that an extension

1 is necessary, within such additional time as the Di-
2 rector so determines.

3 “(2) CONTENTS.—Each capital restoration plan
4 submitted under this section shall set forth a fea-
5 sible plan for raising or restoring the capital of the
6 Corporation to an amount not less than the required
7 capital level for the Corporation. Each capital res-
8 toration plan shall—

9 “(A) specify the level of capital the Cor-
10 poration shall achieve and maintain;

11 “(B) describe the actions that the Corpora-
12 tion shall take to become classified as ade-
13 quately capitalized;

14 “(C) establish a schedule for completing
15 the actions set forth in the plan; and

16 “(D) specify the types and levels of activi-
17 ties (including existing and new business activi-
18 ties) in which the Corporation shall engage dur-
19 ing the term of the plan.

20 **“SEC. 1387. ENFORCEMENT.**

21 “(a) GROUNDS.—The Director may take actions
22 under subsection (b) only if—

23 “(1) the Corporation is significantly
24 undercapitalized;

25 “(2) the Corporation is undercapitalized and—

1 “(A) does not submit a capital restoration
2 plan that is substantially in compliance with
3 section 1386(b) within the applicable period, or
4 the Director disapproves the capital restoration
5 plan submitted by the Corporation; or

6 “(B) has failed to make, in good faith, rea-
7 sonable efforts necessary to comply with the
8 capital restoration plan; or

9 “(3) the Corporation is engaging or has en-
10 gaged, or the Director has reasonable cause to be-
11 lieve that the Corporation is about to engage in—

12 “(A) any conduct that is likely to threaten
13 the adequacy of the capital of the Corporation;

14 “(B) any failure to comply with any writ-
15 ten agreement entered into by the Corporation
16 with the Director; or

17 “(C) any failure to comply with any re-
18 quest by the Director for a report, data, or in-
19 formation under section 1385(b).

20 “(b) ACTIONS.—The Director may, under this sub-
21 section require the Corporation—

22 “(1) to cease and desist from any conduct or
23 activity that is described in subsection (a)(2) and
24 (3), or that contributes to the condition described in
25 subsection (a)(1); and

1 “(2) to take corrective or remedial action, in-
2 cluding—

3 “(A) restricting the growth of, or contract-
4 ing, any category of assets or liabilities;

5 “(B) reducing, modifying, or terminating
6 any activity that the Director determines cre-
7 ates excessive risk to the Corporation;

8 “(C) terminating agreements or contracts;

9 “(D) engaging or employ qualified employ-
10 ees (who may be subject to approval by the Di-
11 rector at the direction of the Director); or

12 “(E) submitting to the Director for review
13 and approval a detailed and complete operating
14 plan.

15 “(c) REPORTS.—If the Director is authorized under
16 subsection (a) to take action under subsection (b) and de-
17 termines not to take any such action, the Director shall
18 prepare a report detailing the basis of the Director’s deci-
19 sion not to take such action and shall, within 30 days of
20 the decision, submit the report to the President, the Direc-
21 tor of the Office of Management and Budget, the Comp-
22 troller General of the United States, the Committee on
23 Banking and Financial Services of the House of Rep-
24 resentatives, and the Committee on Banking, Housing,
25 and Urban Affairs of the Senate.

1 **“SEC. 1388. REIMBURSEMENT OF COSTS.**

2 “(a) ASSESSMENT AND COLLECTION.—The Director
3 shall assess and collect from the Corporation such
4 amounts determined by the Director as necessary to reim-
5 burse the Office of Federal Housing Enterprise Oversight
6 for the reasonable costs and expenses of the activities un-
7 dertaken by such Office to carry out the duties of the Di-
8 rector under this subtitle, including the costs of examina-
9 tion, enforcement, and oversight expenses.

10 “(b) REQUIREMENTS.—Annual assessments imposed
11 by the Director shall be—

12 “(1) imposed prior to October 1 of each year;

13 “(2) collected at such time or times during each
14 assessment year as determined necessary or appro-
15 priate by the Director;

16 “(3) deposited into the Federal Housing Enter-
17 prise Fund established by section 1316(f); and

18 “(4) available, to the extent provided in appro-
19 priation Acts, for carrying out the responsibilities of
20 the Director under this subtitle.”.

21 (b) CLERICAL AMENDMENT.—The table of contents
22 in section 1(b) of the Housing and Community Develop-
23 ment Act of 1992 (Public Law 102–550; 106 Stat. 3679)
24 is amended—

1 (1) by redesignating the item relating to sub-
 2 title E of title XIII as relating to subtitle F of such
 3 title; and

4 (2) by inserting after the item relating to sec-
 5 tion 1383 the following new items:

“SUBTITLE E—SUPERVISION AND REGULATION OF FEDERAL
 MORTGAGE INSURANCE CORPORATION

“Sec. 1384. Authority of Director.

“Sec. 1385. Examinations, reports, and cost estimates.

“Sec. 1386. Capital requirements.

“Sec. 1387. Enforcement.

“Sec. 1388. Reimbursement of costs.”.

6 **TITLE IV—FHA IMPROVEMENTS**

7 **SEC. 401. CALCULATION OF DOWNPAYMENT.**

8 Section 203(b)(2) of the National Housing Act (12
 9 U.S.C. 1709(b)(2)) is amended—

10 (1) by striking subparagraph (B) and inserting
 11 the following new subparagraph:

12 “(B) except as otherwise provided in this
 13 paragraph (2), not in excess of—

14 “(i) in the case of a mortgage for a
 15 property with an appraised value equal to
 16 or less than \$50,000, 98.75 percent of the
 17 appraised value of the property,

18 “(ii) in the case of a mortgage for a
 19 property with an appraised value in excess
 20 of \$50,000 but not in excess of \$125,000,
 21 97.65 percent of the appraised value of the
 22 property,

1 “(iii) in the case of a mortgage for a
2 property with an appraised value in excess
3 of \$125,000, 97.15 percent of the ap-
4 praised value of the property, or

5 “(iv) notwithstanding clauses (ii) and
6 (iii), in the case of a mortgage for a prop-
7 erty with an appraised value in excess of
8 \$50,000 and which is located in a State for
9 which the average closing cost exceeds 3.25
10 percent of the average, for the State, of
11 the sale price of properties located in the
12 State for which mortgages have been exe-
13 cuted, 97.75 percent of the appraised value
14 of the property,

15 plus the amount of the mortgage insurance pre-
16 mium paid at the time the mortgage is in-
17 sured.”;

18 (2) in the 1st sentence of the matter following
19 subparagraph (B), by inserting before the period at
20 the end the following: “, and the term ‘average clos-
21 ing cost’ means, with respect to a State, the average,
22 for mortgages executed for properties that are lo-
23 cated within the State, of the total amounts (as de-
24 termined by the Secretary) of initial service charges,
25 appraisal, inspection, and other fees (as the Sec-

1 retary shall approve) that are paid in connection
2 with such mortgages”;

3 (3) by striking the 2d sentence of the matter
4 following subparagraph (B); and

5 (4) in penultimate undesignated paragraph—

6 (A) in the 2d sentence, by striking “the
7 preceding sentence” and inserting “this sub-
8 section”; and

9 (B) by striking the 1st sentence.

10 **SEC. 402. DELEGATION OF SINGLE FAMILY MORTGAGE IN-**
11 **SURING AUTHORITY TO DIRECT ENDORSE-**
12 **MENT MORTGAGEES.**

13 Title II of the National Housing Act (12 U.S.C. 1707
14 et seq.) is amended by adding at the end the following
15 new section:

16 “DELEGATION OF INSURING AUTHORITY TO DIRECT
17 ENDORSEMENT MORTGAGEES

18 “SEC. 256. (a) AUTHORITY.—The Secretary may del-
19 egate, to one or more mortgagees approved by the Sec-
20 retary under the direct endorsement program, the author-
21 ity of the Secretary under this Act to insure mortgages
22 involving property upon which there is located a dwelling
23 designed principally for occupancy by 1 to 4 families.

24 “(b) CONSIDERATIONS.—In determining whether to
25 delegate authority to a mortgagee under this section, the
26 Secretary shall consider the experience and performance

1 of the mortgagee under the direct endorsement program,
2 the default rate of insured mortgages originated by the
3 mortgagee compared to the default rate of all insured
4 mortgages in comparable markets, and such other factors
5 as the Secretary determines appropriate to minimize risk
6 of loss to the insurance funds under this Act.

7 “(c) ENFORCEMENT OF INSURANCE REQUIRE-
8 MENTS.—

9 “(1) IN GENERAL.—If the Secretary determines
10 that a mortgage insured by a mortgagee pursuant to
11 delegation of authority under this section was not
12 originated in accordance with the requirements es-
13 tablished by the Secretary, and the Secretary pays
14 an insurance claim with respect to the mortgage
15 within a reasonable period specified by the Sec-
16 retary, the Secretary may require the mortgagee ap-
17 proved under this section to indemnify the Secretary
18 for the loss.

19 “(2) FRAUD OR MISREPRESENTATION.—If
20 fraud or misrepresentation was involved in connec-
21 tion with the origination, the Secretary may require
22 the mortgagee approved under this section to indem-
23 nify the Secretary for the loss regardless of when an
24 insurance claim is paid.

1 “(d) TERMINATION OF MORTGAGEE’S AUTHORITY.—
 2 If a mortgagee to which the Secretary has made a delega-
 3 tion under this section violates the requirements and pro-
 4 cedures established by the Secretary or the Secretary de-
 5 termines that other good cause exists, the Secretary may
 6 cancel a delegation of authority under this section to the
 7 mortgagee by giving notice to the mortgagee. Such a can-
 8 cellation shall be effective upon receipt of the notice by
 9 the mortgagee or at a later date specified by the Secretary.
 10 A decision by the Secretary to cancel a delegation shall
 11 be final and conclusive and shall not be subject to judicial
 12 review.

13 “(e) REQUIREMENTS AND PROCEDURES.—Before ap-
 14 proving a delegation under this section, the Secretary shall
 15 issue regulations establishing appropriate requirements
 16 and procedures, including requirements and procedures
 17 governing the indemnification of the Secretary by the
 18 mortgagee.”.

○

HR 1708 IH—2

HR 1708 IH—3

HR 1708 IH—4

HR 1708 IH—5